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Problems of Franchising in Nepal and possible solutions

Case study: Pizza hut Nepal

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THESIS ABSTRACT

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The study focuses on exploring problems of franchising in Nepal. Its main objective is to discover obstacles franchisees encounter when bringing a franchise to Nepal and recommendations that are beneficial to their success. The thesis considers the topic both from the franchiser's and the franchisee's perspectives.

In the literature review, the main concepts presented are franchising, franchiser, franchisee, international franchise, types of franchise systems and franchise agreements, pros and cons of opening a franchise, and the steps of purchasing an international franchise. The ideas of purchasing a franchise are presented and the process is described.

The empirical part features a case study of Pizza hut Nepal as a successful international franchise in Nepal, under the management of the RJ Corp. The problems from the PESTEL analysis are analysed. For collecting data, qualitative methods were used, including a documentation study and a survey analysis. Eventually, the findings from the analysis of documents are analysed and evaluated, and the research questions are answered.

In summary, the key obstacles for franchisees in Nepal are cultural differences, a lack of proper infrastructure development, a high share of people with low income in the population, political instability, and a lack of government policies. And for franchisers, matters such as customers' interest in more franchises and other cities, like Pokhara, offering an opportunity for franchising were analysed.

To survive, they should conduct a good market study, have a proper understanding of the culture, make calculations of costs and returns, enter well-negotiated agreements, and seek professional help.

Keywords: franchise, franchisees, franchisers, franchising, Nepal.

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ABBREVIATIONS

U.S United States

FDD Franchise Disclosure Document

INTRODUCTION

According to International Franchising Association, franchising businesses continue to grow faster than rest of the economy of the world and third world countries like Nepal as well. (USA GOV, 2017)

In 2009, Pizza Hut opened restaurants in Kathmandu, becoming the first foreign food franchises in Nepal, they were amid the first franchises to be introduced in Nepal. As per the Nepal Chamber of Commerce and Industry according to (USA GOV, 2017), now there are 95 franchisers operating in Nepal. Most of the franchisers operating in Nepal are Indian or have Indian master franchisees, apart from a few from U.S, Singapore and Thailand. In comparison to few years ago, the Franchising market in Nepal has strengthened and opened- up.

The franchising market in Nepal has strengthened and opened- up after 2010. Franchisers that have a good potential are those that are operating in education, Healthcare and retail sector. The India Nepal Treaty for Peace and Friendship 1950 has stimulated a lot of tourism between the two countries as well as transacting between the two nations which has boosted up the franchise business as well. Trade between the two countries is only going to increase which can account for more Indian companies and businesses wanting to invest in business in Nepal, thanks to the freshly signed trade pact like Indo Nepal treaty of trade. So, the number of Indian franchises are going to rise in Nepal in coming years. (Asian development bank, 2015)

1.1 Purpose

Main goal is to discover status of franchise in Nepalese market in overall and to find the problems for franchising in Nepal. The research focuses on the current prospective of franchiser and franchisee in Nepal and the research problem is to show the obstacles that franchisers and franchisees faces in Nepal and seek proper ways in succeeding in the franchise business in Nepal.

The idea is to get better understanding about franchising and developing a business idea in developing country like Nepal. Besides that, it also comprises to become familiar with the process of starting a business in Nepal. Especially, businesses like food business industry, apparel business, health industry is a rapidly growing business sectors and we can see quite a business enterprises in Nepal. Some of them running as their own brand and some of them are franchise. Franchises such as Pizza hut, KFC, Adidas, Puma, Lomus are doing very well in this sector. Nepalese customers have more than welcomed the foreign franchises as well. After some years of opening still more than 1,000 plus crowd waits outside the KFC/Pizza hut in Kathmandu shows the popularity that a franchise can achieve in Nepal.

1.2 Research problem and methodology

Based on the main objectives of the study, two following research questions were identified by the researcher for further research and obvious answers.

Question1: What are the challenges of Franchising in Nepal?

Question 2: What should franchises consider before franchising in Nepalese market?

To answer the main research questions, case study was utilized as a main research strategy. In the empirical part, the study case is Pizza hut Nepal. Pizza hut is an example of successful International franchisees in Nepal. Regard to collecting information for the case study, two selected techniques are used: reviews and documentary analysis and survey. Due to the busy schedule of Pizza hut personnel, it was not possible to carry out interviews.

A survey and questionnaires with entrepreneurs who are interested in bringing big franchises, has been conducted to supplement the empirical part. The answers for the questions will be a source of reference for to-be franchisees, helping them anticipate risks as well as find a right track to move on.

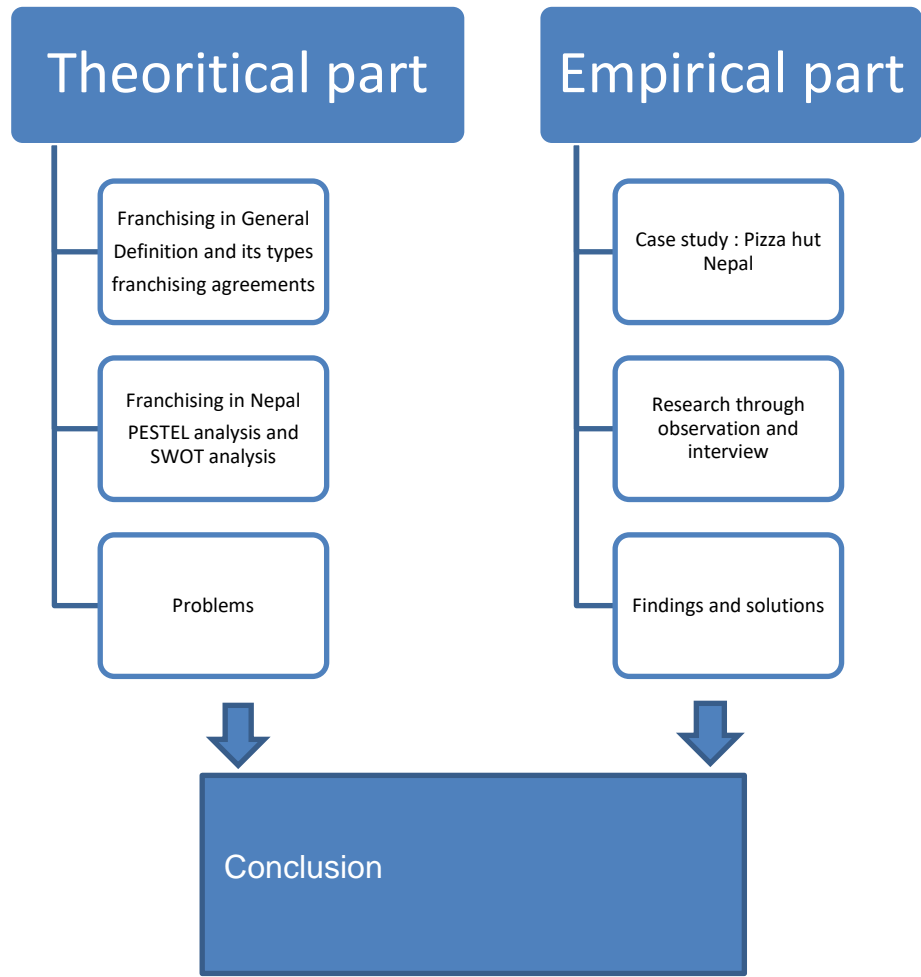


Figure 1: Structure of research

2 FRANCHISING IN GENERAL

The concept of franchising was started in the mid-1800. It is an American concept which was introduced to support the American businesses to expand their operation in different countries. There is still a debate between the people regarding the origin of Franchising although the concept was first invented by the Americans.

In a different period, different individual and experts have describe the Franchising in a different way. The definition of franchising also differs from time to time. In a common sense, a franchisor is an individual or the company that has invented a commercial business and wishes to allowed other persons or a company to run a business under their brand. The major types of franchising at the current time is related to retailing, property services, personal services, business and communication services, hotel and catering, transport and vehicle services. According to (International Franchise Association, 2017) Franchising for mat business is easily recognizable for a common man where, franchisor not only use the franchisee trade mark but also follow the whole system. The franchisee gets help in different factors, relating from site selection to training, making strategy and in other aspects of business. Now around 120 companies are using the concept of franchising to expand their business.

Franchising is an agreement between two parties i.e. Franchisor and franchisee. The franchisor provides right to the franchisee to use its trade mark and the franchisee carry the business using the trademark provided by the franchisor under the terms and conditions agreed on a contract. According to (Scarborough M. N., 2009) The franchisee obtained the experience from the franchisor in operating the business and the guidance from the experience who has already running the franchising successfully under the same brand. Franchising is a business for yourself instead of business by yourself because it requires to follow the structure of franchisor.

In short, the distinguishing feature of franchising is that franchisees follow the recipe, the rules; the consistency between franchisees and franchisers are maintained.

Webber describes Franchisee Skill Acronym in his book called introduction to Franchising in following way:

- (F) Flexibility
- (R) Responsible and Positive attitude
- (A) Ability to manage multiple priorities
- (N) Need to Succeed
- (C) Creative problem solving
- (H) High energy levels
- (I) in no doubt about personal abilities
- (S) Strong people skills
- (E) Eager to learn.

(Webber, Dec 2012)

Entrepreneurs who have developed a successful business often wonder if they should franchise to expand their operations. Like any business model, franchising has its benefits and drawbacks and unless franchising is utilized to evaluate advantages and disadvantages of business operations, it is impossible to know the success rate of business (Scott Shane, 2017). Sometimes that requires the help of a franchise attorney or consultant, but before you start talking to the experts and attorneys, you should get a sense of the key advantages and disadvantages of a franchise business.

2.1 Advantages and disadvantages of franchising

2.1.1 Advantages of franchising

. Franchising helps to flow the talent, knowledge and skills from one person to another. The franchisee get support from franchisor in site selection, training and man-

aging the business. It encourages people to work hard. The hard working and talented people are preferred to invest in business in return for profits. By franchising, you get people who work hard to build the business instead of hiring people for work.

The incentive for skilled manpower in Nepal is low which provides the opportunity to get a skilled manpower at a reasonable price.

According to (Scott Shane, 2017) Franchisee pay to use the brand name and for the outlets under the chain of franchisor. The franchising business give chances for franchisor to grow the number of locations without using own capital or taking a credit from financial institutions. The relationship with suppliers have already established and can get benefit from the experience of franchisees in the network.

The franchising helps to compete with big business due to the support of franchisor and network of the franchisees. The franchisee can effectively run the business because franchisor won't sell franchise business in the same area. Banks also likely to lend money for the franchise with a high reputation (Scott Shane, 2017).

Franchising gives high return for relatively negligible risk. Franchising give chance to increase the number of outlets at a low cost in comparison to own business. The return from the franchising is significantly high than the outlets run by own self. The risk of failure is low due to the established brand and proven idea.

The support from the franchisor and the sharing of the ideas, knowledge and experience with the franchisees network minimize the business risk and helps to run the franchise effectively (Scarborough M. N., 2009). The franchisor often provided training and the structure of the business is based on the experience of franchisor which make the risk of failure low. (Scott Shane, 2017)

2.1.2 Disadvantages of franchising

It is quite hard to tell the franchisees how to deal with the employees and the customers as the franchises are self-regulating businesses. The franchisees have different goals although they follow the same structure which sometimes cause a legal issue as well. E.g. Franchisor get percentage of sales as a royalty and franchisees get money from the profit of outlet. The franchisor policy to boost the sales instead of increasing profit can cause a conflict between two parties. Promotional coupons boost the sales but not always profits for which franchisees may not agree.

According to (Scott Shane, 2017) Franchisees make a profit from the effort of each other. There need to be an equal effort from all the side. If they depend upon each other and unable to try from an individual side it may cause a huge problem. E.g. If franchisees depend upon other for advertisement to attract the customers and all of them think some others will do the advertisement and at the end no one does so then there will be no promotion which means decrease in the customers. There are ways to settle the franchising conflicts but it costs money and require solving it legally through the court. (Scarborough M. N., 2009)

According to (Scott Shane, 2017) It is very hard to be innovate with the franchising business in comparison to the own business. If there is new idea and products the franchisor and franchisee must negotiate and agreed on that or any new things that any of the party want to introduce. It is very tough to implement the new ideas without the consent of each other's.

2.2 Types of franchising system

2.2.1 Product Distribution Franchise

According to (SME Corp, 2011) this structure is like the supplier-dealer relationship but the franchisee need to follow some guidelines. E.g. the outlet can decide to sell few products in its store and can exclude some of the products of the franchisor. Basically, franchisee sells all the products from the franchisor but according to this

model franchisees can choose the products they want to sell and they are not obliged to sell all the products.

This type of franchise follows some integration business activities. The franchisees are much independent than another model. Some well-known product of this category of franchising are Coca-Cola, Ford motor, Exxon and Osim. This model is more used for the expensive products like automobiles and computers.

2.2.2 Business Format Franchise

The business format model business integration is very complete where the franchisees use the trademark of the franchisor's, follow the structure and distributes the goods and services under the brand name of franchisor. The agreement is consisting the consent to use the franchisor's name, goodwill, product and services, support services and marketing systems. McDonalds, KFC, Famous Amos are some of the example of company using this model.

In the context of Nepal KFC and pizza hut are using this format of franchise. The price of the products is reasonable in comparison to the competitors although the products are bought from Brazil. (SME Corp, 2011)

2.2.3 Management Franchise

This model is more focuses on service sectors instead of physical goods. It is an agreement where the franchisee gets the management expertise, format or process to run the business. Hilton, American idol and Ups store are the good example of the businesses that are using this model.

2.3 TYPES OF FRANCHISING AGREEMENTS

Franchises are usually classified into four different categories or levels. Choosing the right level of franchising for personal and professional satisfaction is almost as important as choosing the right franchise. (SME Corp, 2011)

2.3.1 Single-unit Franchises

In this category, the franchisee has gained the authority to operate the one unit of franchise instead of using the all unit at once. It is the best way to understand the franchise business and it is also easy to enter in the business field with this system.

According to (Franstop, 2016) the territory of single unit franchise is very small. For a retail store the territory is two to three-mile radius and in the context of home-based business the area of operation may be some defined zip code.

In this category franchisees are very often known as the operators themselves and all most every operation are involved in this franchise type.

2.3.2 Multi-unit Franchises

The franchisees operate multiple units under this category. It is usually done to reduce the start-up costs. It is the popular category and taken as very healthy way to start the franchise business in the world of franchising. Franchisees are the owners of multiple units. (Franstop, 2016)

There is no any specific territory regarding the operation of the franchises. One unit can be in one part of town and another on another part with a radius of around 15 miles or in some case in another country.

The multiple tasks are managed by franchisees instead of involving heavily on each unit. The role of franchisees is same as a general manager but it requires supervisor in each unit.

2.3.3 Area Development Franchises

It provides license to operate certain amount of franchises in an area. There is agreement where franchisees agreed to open certain number of franchise in a specific time frame. Another franchisee cannot operate in the area where franchisor give authority to franchisee to run business. The franchisor gets low royalties under this category which is the advantages for the franchisees to increase the profit. (Franstop, 2016)

The territory of this type of franchises is very often range from all parts of big towns or small towns to certain areas. It maintains the specific geographic territory if the franchisee able to open the agreed number of franchise in a schedule time.

The franchisee actively participates in opening the first franchise and he/she needs to find a good location to open the other store. Once all the agreed number of stores will be opened he/she will hired assistance to manage the business.

This type of franchises has the more possibility to succeed in Nepal. As the density of people are high, franchises such as Pizza hut, Adidas, KFC, Zara has been opened with the Area Development franchisees agreement. And for a new franchise its beneficial as it can be started with a single unit at the beginning and be expanded later when the business starts to flourish.

2.3.4 Master Franchises

It operates in larger area and has full authority to master franchisee to be an area developer. It not only open and reduce the franchises but can also sell unit franchises. It can decide the royalty fees and decide to pay the percent from the sales profit (Franstop, 2016).

The small portion of the royalties paid by each franchisee will go to the master franchisee. The master franchisee has an option to increase the income through distribution of products and real-estate interests while selecting new locations for franchisees. This category of franchising is very rare in the franchising world. Master

franchisee provides training and assistance to another franchisee. The return on investment is high due to the different income streams.

The area of operation is very big, it usually operates in metropolitan area, an entire state or on different state of a country. If the master franchisee able to open agreed franchise in each territory he/she will operate effectively for a long time.

Very often master franchisee starts with one unit, hire the manage to look after it and sell other sub-franchises. It helps several units to operate properly. They provide training to the new franchisee so, there role is very often seen as business consultant or coach (Franstop, 2016). They use their experience and aid the new units and franchise within a defined territory.

3 FRANCHISING IN NEPAL

Although the present franchise market is relatively small – with estimated 2013 sales of USD 11 million – it has the potential to expand (USA GOV, 2017). According to (Sakin Shrestha, 2017) in November 2009, KFC and Pizza Hut opened restaurants in Kathmandu, becoming the first foreign food franchises in Nepal and the success of the KFC and Pizza Hut restaurants led to the opening of a second branch in Kathmandu in 2011.

According to (USA GOV, 2017), Nepalese local product represents about seventy percent of demand, with the remaining thirty percent by foreign franchises. There are several U.S. and international franchises operating in Nepal including Coca-Cola, Pepsi, Western Union, Hyatt, Radisson, DHL, United Colors of Benetton, Cookie Man, Baskin Robbins, Wimpy, Hot Breads, Bata, Puma, Reebok, and Adidas. Indian franchises have also entered the Nepali market including Gini and Jony, Time Square, Planet Fashion, Lilliput, Big Cinemas, John Players, Peter England, Yana Sizzlers, Patanjali, NIIT, and Euro kids. Other major franchises in Nepal include Coca-Cola, Pepsi, Western Union, Hyatt, Radisson, FedEx, and DHL.

Till now, franchising is not widespread in Nepal and only limited in Kathmandu and other big cities. There is potential for ventures that provide to the tourist, resident expatriate, and local middle -class markets. A few U.S. franchise companies have entered the Nepali market, focusing on Kathmandu and Pokhara because they are tourist centers with a large market base.

Under the Foreign Investment and Technology Transfer Act of 1992, the Department of Industry grants permission to establish franchises. According to (Sakin Shrestha, 2017) , trademarks and brand names registered in a foreign country do not automatically qualify in Nepal for trademark protection, the trademark and brand name must first be registered in Nepal under the patent, design and trademark Act of Nepal of 1965 to limit any possible infringement. Trademark registration is done at the Department of Industry under the Ministry of Industry.

Fast food restaurant chains, Coffee houses, Clothing, Sports Equipment, Hotels. Following pie chart shows the number of percentage of franchises established in Nepal by countries.

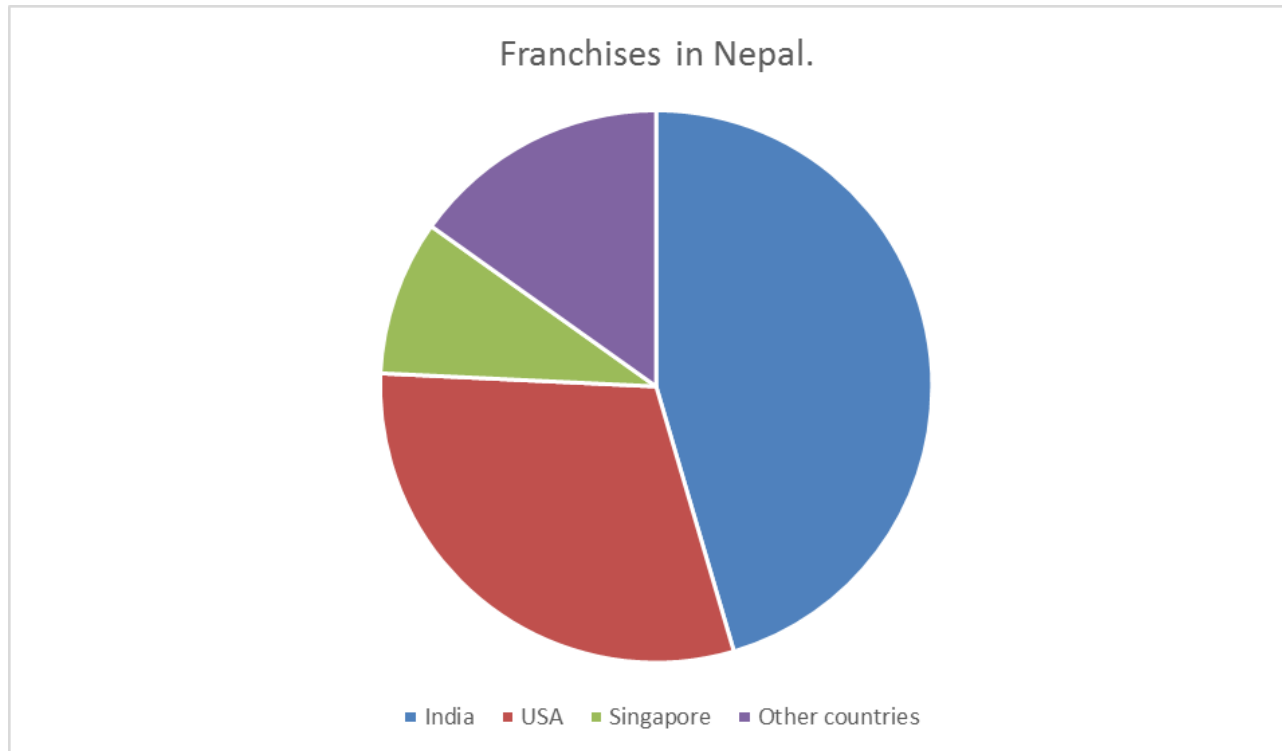


Figure 2: Franchising in Nepal

According to (Asian development bank, 2015), Indian brand franchises are the most in numbers in Nepali market which has covered 43 percent. In the second place U.S based franchises are operating in Nepal which is around 34 percent. Other international franchise account for rest of franchises. As mentioned earlier in chapter 1, there are altogether 95 franchises in Nepal.

In coming few years, franchises can expand in Kathmandu and Pokhara, two of Nepal's largest cities and tourism hubs. Market growth is projected high through the first few years of establishment. Key benefits of a franchise lie in brand name equity and quality consistency. With about 800,000 tourists arriving every year, as well as a sizeable expatriate community, fast food franchises hold excellent potential. The climate is improving for expansion in other growing Nepali cities, such as Pokhara, Biratnagar, and Chitwan. Market entering franchises should take a long-term view. In recent years, due to increased consciousness of quality and durability of goods, demand for branded products has increased.

3.1 Nepalese Market Overview

Nepalese market overview discusses key economic indicators and trade statistics, which countries are dominant in the market, the U.S. market share, the political situation if relevant, the top reasons why. franchises should consider franchising in this country, and other issues that affect franchising, e.g., terrorism, currency devaluations, trade agreements, government instability.

According to (USA GOV, 2017) Nepal is a developing country and with low income. GDP estimate (FY 2013/14): \$19.57 billion; GDP estimated growth rate (FY 2013/14): 5.5 percent; population: 27.58 million (male 13.38 million, and female 14.20 million); per capita annual income: \$703. More than 75 percent of the population is under the age of 40.

Some of the challenges in the economic growth of Nepal are: Political instability, a landlocked location, challenging topography, poor infrastructure, a weak human capital base, and a long history of public intervention in the economic.

According to (Asian development bank, 2015) agriculture accounts for 32.6 percent of GDP and 73.9 percent of employment. Food based franchisees can use the local products at a reasonable price. Most of the agricultural products and electronic products comes from India. India accounts for 66 percent of Nepal's total trade. As per the India has the dominant number of franchisers and franchisees in Nepali market.

In FY 2013/14, Nepal exported USD 939.2 million worth of goods, mainly woolen carpet, zinc sheet, textiles, polyester yarn, readymade garments, juice, pulses, and agricultural products. Nepal's annual imports are about USD 7.25 billion, mainly from India, China, and UAE (Asian development bank, 2015). The main imports are petroleum products, vehicles and spare parts, machinery and parts, gold, medicine, electrical goods, and telecommunications equipment. The tax percentage is not so high compared to other countries Asia so franchisees can solely run from importing goods and selling it.

3.2 Case Overview: Pizza hut

KFC was brought in Nepal by Devyani International, under the branch of Ravi Kant Jaipuria's RJ Corp. It was among the first multinational chain of restaurants coming to Nepal.

RJ Corp is the main bottler of Pepsi brands in India and Nepal and largest franchisee for YUM brands in India specifically, KFC. Devyani International along with YUM Brands, the world's largest restaurant company with five dynamic global brands and 35,000 outlets across 105 countries, enter the Nepalese restaurant circle with the belief that consumers in Nepal are ready for international eating-out experience they launched their first two outlets at Durbar Marg, Kathmandu.

According to the article by "The Himalayan Times" (Pizza and chicken, 2010) as stated by the officials of R J Corp, Nepal is a promising market for these brands to succeed and their entry will give the Nepali economy a boost by creating job opportunities for locals. The opening of these two outlets would give Nepali consumers the first local experience of an international food chain. They have promised an upcoming rush of announcements and product launches that will make this an exciting time for consumers.

(Sakin Shrestha, 2017) explains that it received an overwhelming welcome when they opened their doors a year ago, with people queuing for weeks to taste the offerings of the two international fast food chains. After a year of establishing a franchise they were already considering of starting another Pizza hut. "We have had a very satisfying response in the first year," says Vishnu Reddy according to country manager of Pizza-Hut Nepal (Nepali Times, 2010). He had further mentioned "We are opening new branches, we want to reach out to more of our customers." They have considered Jawalakhel and Thamel as the places with possibility of starting a new franchise.

According to (Nepali Times, 2010) Pizza hut has mentioned that they are planning to start home delivery business in Kathmandu. As currently they are planning to improvise the menu of the pizza "We bring out new items and offers every three months," says Reddy according to the newspaper. Alongside their plan, Pizza Hut

has introduced a special menu, 'Meal for two', which includes garlic bread, two drinks and a pizza of your choice. (Pizza and chicken, 2010)

Pizza Hut are the first international chain of restaurants to come to Nepal. Before their launch, the staff at KFC and Pizza Hut went through rigorous training in India. While most Nepali customers were rather surprised by the over-attentive service they may not be used to elsewhere, Reddy says they have received positive feedback on their customer service.

Since the establishment, they have added another restaurant in Kathmandu. Unlike most of the other food outlets in Nepal, the taste of the pizzas as well as the service of the restaurant is admirable. The several varieties of pizza offered here are delicious and gratifying. Whether you seek vegetarian or non-vegetarian pizza, one thing is certain that every time you want to have one, you'll end up standing before the Pizza hut outlet in Kathmandu (Sakin Shrestha, 2017). The place is warm and active with wide and comfortable sitting areas. It can be noticed that the quality of international franchise has been maintained.

Further, the menu has been adapted according to the need of local market. Different items of vegetarian and chicken pizzas can be ordered. With the more than 80 percent of people of Nepal don't eat beef or pork because of their religious belief, so the menu has been designed in a way that all the customer can order something from the menu (Pizza and chicken, 2010). So, the market strategy and the choice of menu at both Pizza Hut is based on that in India, but it is likely that some of the items resembles the item from Nepali menu also.

3.3 Pizza Hut strategy to overcome challenges.

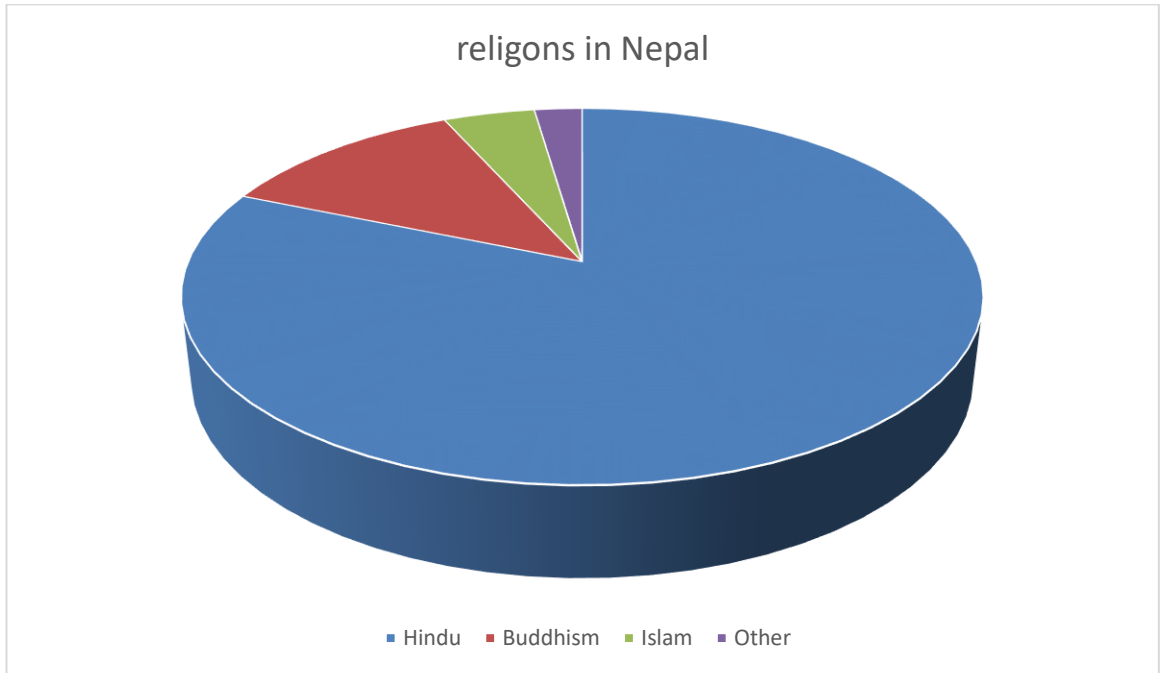


Figure 3 Religions in Nepal according to (Wikipedia, 2017)

Hindu and the Buddhist population does not eat beef products. As well as many groups of Hindu populations does not eat pork as well. So, due to the cultural aspects of Nepal it was quiet challenging for Pizza hut and for that reason they had to introduce the menu based on the vegetarian and the chicken items only.

Class	Income	Percentage
„Rich“	\$35.000 +	1 %
„Middle-Class“	\$8.000-\$35.000	13%
„Aspiring Middle- Class“	\$3.500-\$8.000	30%
Deprived	\$3.500 -	57%

Figure 4: Income level percentage of Nepalese people

Another problem they focused was, on the middle-class people. The costs of the special products are higher than for the normal products. Nepal's population is poor. So, Pizza hut had to change its target group. In Nepal, they focused on the middle-class. They changed the price of the menu for example in Nepal a family size chicken pizza can be brought for 6 euros, which costs around 18 euros in other countries. (Pizza and chicken, 2010)

Other challenge Pizza hut is still facing in Nepal is the lack of proper development of infrastructures. Besides capital city Kathmandu, places like Pokhara also has a high population as well as more than 800,000 tourists visiting every year. But due to the lack of proper infrastructures development they cannot consider moving there anytime soon. (Sakin Shrestha, 2017)

3.4 SWOT ANALYSIS

SWOT focuses on analyzing the internal and external factors that influence the businesses. SWOT stands for strengths, weaknesses, opportunities and threats. It can be divided into positive and negative factors; strengths and opportunities being positive, and weaknesses and threats negative (Phillip Kotler, 2009). Because it provides an overall evaluation of the company, it is an important part of a marketing plan.

SWOT analysis is the overall evaluation of a company's strengths, weaknesses, opportunities, and threats. It is a way of monitoring the internal and external marketing environment and is the most used tool in strategic planning (Kotler, 2000).

SWOT can help management in a company discover what they do better than the competitors, whether the business is using the opportunities available and how a business should respond to its external environment changes. Table 1 shows how a franchise can analyse Nepalese market in terms of SWOT analysis.

Matching and converting the factors is the medium to use SWOT. By matching strengths to opportunities competitive advantage can be gained. Different conversion strategies, weaknesses or threats should be converted into strengths and opportunities. Another possibility is to minimize the threats and weaknesses if the chances of converting them are minimum. According to (Phillip Kotler, 2009) explain the four letters as follows:

- Strengths are internal capabilities that may help a business to reach its objectives.
- Weaknesses refer to internal limitations that may interfere with the ability to achieve its objectives.
- Opportunities are external factors that the business may be able to exploit to its advantage.
- Threats means the current or emerging external factors that may test the performance of the business are threats

SWOT ANALYSIS figure:

Table 1: SWOT Analysis

<p>Strength</p> <ul style="list-style-type: none"> • New market. • Brand name. • Availability of Low-cost, Skilled Human Resources. 	<p>Weakness</p> <ul style="list-style-type: none"> • Major cultural differences. • Underdeveloped Infrastructures. • High rate of middle class and poor population.
<p>Opportunities</p> <ul style="list-style-type: none"> • Growing market • Low level of competency. • High rate of population increases. • Low production costs. 	<p>Threats</p> <ul style="list-style-type: none"> • Political Instability • Inflation • Security Issues. • Legal barriers.

4 PESTEL ANALYSIS

PESTEL analysis deals with the external environment, which is outside the range of the firm's control. PESTEL basically stands for political, economic, social, technological, environmental and legal factors which the major component in macro environment. (Oxford learning lab limited, 2009)

PESTEL is very effective to analyze the performance of the business. It helps to detect the growth and decline of the company performance, business opportunities and challenges. It is very helpful to make the plans related to marketing and business. The company can easily analysis the performance with the help of the PESTEL analysis so, if there is any decline in performance the firm get chance to rearrange its plans and take the business towards the positive direction.

According to (Kotler, 2000)the PESTEL analysis is measured as one of the key strategic analysis of an organization and organizations usually stress a lot on PESTEL analysis to gain success in both the short and the long run. In the similar manner, it can be said that the PESTEL analysis is more related to the Macro-environment that is surrounding an organization and it plays an important role in the decision-making process.

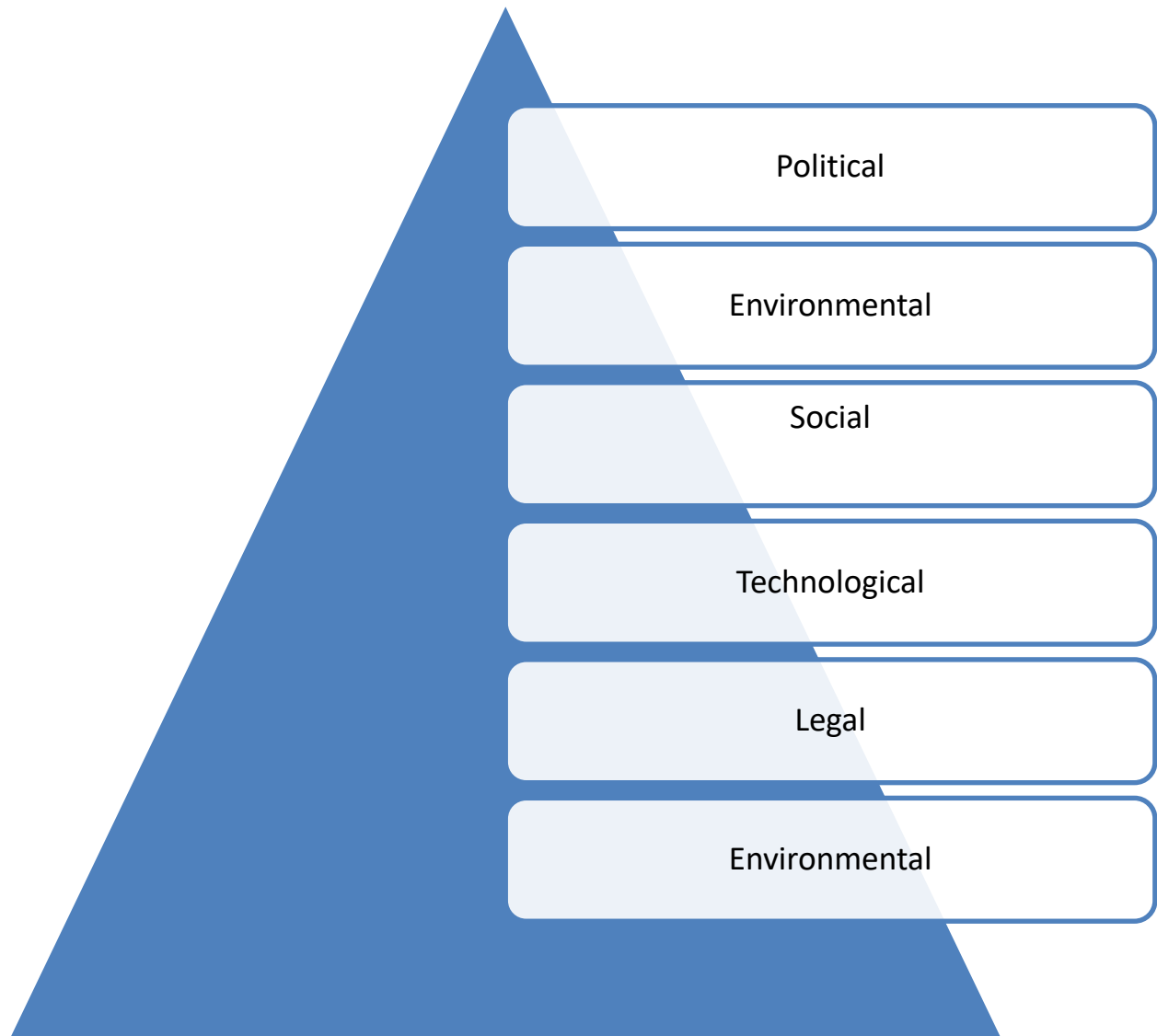


Figure 5: PESTEL Analysis

4.1 Political factors

The political factor is an important aspect of PESTEL analysis, which focuses on the political elements that affects the performance of the business. It consists of law related to employment, trading, taxation etc. why the international organization face difficulties when entering the Nepal is subject of discussion from a long time. Some organizations believed that Nepalese are more patriotic which affects the business environment for the international franchises. The factors like consumer taxation, political instability can also affect the business.

The taxation system in Nepal changes from time to time which can directly affect the franchises business. The changes in quota system is also another challenge for the franchisees, if the items that can be imported is decreased it would create a problem for a business. E.g. if the government make a new rule and decrease the quota that the company can import than it would directly affect the business. Some of the political factors are tax policy, labor law, environmental laws.

The political instability is one of the problems that franchisees should face in Nepal. Frequent strikes by the political organizations in Nepal can directly affects the sale and overall performance of the business. The business close due to strikes but the rent, wages need to pay in time which is also a burden for the franchisees in Nepal. The cheaper price for import products in comparison to other countries can help franchisees to remain competitive with the local competitors which is a plus point for a franchise.

4.2 Economic factors:

The spending capacity of people in Nepal is changing from day to day. The inflation makes the price of the goods expensive, which is less affordable for most of the people. The trend is change nowadays where people try to save more for the future rather than spending. People are very often make a purchasing decision based on the price of the goods which is a direct disadvantage for the renowned expensive international brand. People focus more on buying many by spending less.

The fluctuation in the interest rate of the financial institutions and the need of the collateral for the loan makes people more insecure to take a help from financial organization. The frequent changes in exchange rate is also the drawbacks for the foreign franchises in Nepal.

Some of the examples for economic factors include;

- Economic growth rate

- Exchange rates
- Interest rates
- Inflation rates
- Long-term growth prospects of a country
- Unemployment

4.3 Social factors

Social factors are directly related to the elements like demographic, lifestyle, branding, health and welfare. In Nepal, there are more than 100 ethnic groups with a unique cultural values and norms as well as different lifestyle, which is negative prospects for a franchising business. The franchises can get a manpower at a cheaper cost which is the positive side for the foreign franchising in Nepal.

Social factors contain the demographic and cultural aspects of the external macro environment. It influences the customer's needs and the size of the potential market. Examples of social factors are listed below.

- Population growth rate
- Age distribution
- Health consciousness
- Age distribution
- Level of education
- Career attitudes
- Emphasis on safety

4.4 Technological factors

The change in the field of science and technology is out of the control of the firm. Every day the world of technology is growing and introducing new devices. The company can either replace the old one or update to improve the production efficiency and quality. The technological impact can be seen in every field whether it is related to the economic or uneconomic activity. The introduction of billing system, cards to pay the bill, cameras, computers etc. make easy for the businesses on the other side, it reduces the employment opportunities for the people.

Technology is very key to success in the modern business world and remain competitive. The technological factors can be R&D activity, automation, technology incentives etc. Nepal is backward in the field of innovation and technology. The international franchise operates with the new and innovative technology provides competitive advantages for franchises in Nepal. Technological factors have the potential to lower barriers to market entry, reduce efficient production levels, and influence outsourcing decisions. Examples include;

- R&D activity
- Automation
- Technology incentives
- Rate of technological change

4.5 Legal factors

Legal factors are very important to operate in a country. The laws and regulations of a country directly affects the performance of any business. The organization should strictly follow the laws of the country where they operate. The legal factors

include accessibility law, monitoring, discrimination law, cyber law, human right, employment law, health and safety law, consumer law etc. It is not easy to understand the law of a country being an outsider. It needs a lot of effort to understand a legislation of a country and sometimes it costs money as well.

According to, franchises need to be aware of the legislation of a country where they are going to operate. The carelessness towards the legal issues can cause a huge problem for the franchises and in some cases, it could close the business. Understanding a law is very important and it is the obligation for the franchisees. The understanding and following a law properly lead the business towards the success and it won't create any trouble in the future.

The legislation should create a similar environment for all the businesses. Treating differently for the one which is making huge profit and to the one which is struggling to establish in the market create a problem and the new business lose the hope and confidence. The legislation should not only put the challenges and create difficulties for the businesses but also need to establish the suitable environment to operate.

The law can be different depending on the nature of the franchises. The franchise, franchisor and franchisee should understand the business environment and law properly to run business effectively and smoothly.

We can summarize the legal factors as the laws and regulations that the state offers. The local, national and global legislation affects the franchises. The law can be different from place to place or from nation to nation. The franchises need to understand the law of individual country where they operate. The understanding a law of a single country doesn't work. The franchises need to understand the present law as well as need to be aware of the future legislations, competitive regulations, consumer protection etc.

The franchisor is not only one who can be affected by the legislation the people of the country should also need to follow the rules and regulations properly. The legislation may change the law for the welfare of the local people so the franchises need to be aware of that.

4.6 Environmental factors

Nepal has a various topography. Most of the part of the country is high hills and mountains. Valleys and southern part of the country is where most of the cities are located. Also, Nepal is a land locked country, so if the franchise has a product which is based in other countries, easiest way is through the air transport which can be very high for any franchises.

A devastating earthquake in April and May 2015 have damaged various infrastructures and cause a lot of damage. Such kind of calamities are unpredictable but can damaged can be minimized in the future.

So, the environmental conditions in Nepal is not so good as compared to the other Asian countries. Though various treaties and agreements with India and China for the connection of the road ways and railways should bring development. As a franchisor, one should have stuck in big cities like Kathmandu and Pokhara where the population density is increasing more than ever.

5 PURCHASING A FRANCHISE IN NEPAL

5.1 Before purchasing

In franchise business, random choice of franchise and improper analysis of the franchising history are the main reasons of the failure of the franchisees. Therefore, various opportunities of franchising should be analyzed through different market research, valuation of costs, getting knowledge of tax and law and evaluating franchise history.

5.1.1 Franchisees should consider the suitability of franchise.

The understanding of the franchising business and knowing their wants helps franchise. Before going to any decisions, franchisees should analyze their own experiences, thoughts, likes and dislikes, cost requirements, income valuation, and their financial situation. (Scarborough M. N., 2009).

Along with the understanding of the business franchisees should have enough passion for franchising. Even though, franchises can be operated by inexperienced people does not mean that franchisees should have less desire for the franchise desire for the franchise industry.

If there is any alternative for the franchising business, franchisees should compare buying that business to get a proper idea of the overall business. Franchisees should be sure that franchising is a proper selection for them (Barringer, 2012). And the selection of right type of franchise is a must. According to (Barringer, 2012), following are the list of questions that can help people in franchising business.

- How willing are you to take orders from franchisers?
- Are you willing to be part of a franchise business rather than an independent businessperson?
- Are you willing to lose creative control of the business?

- How will you react if your suggestion is rejected and you must work in system created by others?
- Are you ready to work hard? And what are the things you looking for in franchise business?
- Are you ready to handle risks, and what would you do in situation like you should pay royalties during net loss?

Franchisees should be aware of above mentioned questions and check if they can follow the idea of franchisers while in the franchising business. It is not easy for everyone to follow the same type of system so anticipating things beforehand can save from the defeat.

The following Franchise Evaluation Quiz shows the self-test, which helps potential franchisees to figure out if the franchise suits them or not. Franchisees can put their thoughts into franchise business. It was developed by an American franchise consulting company Franchise Solutions Inc. (Scarborough M. N., 2009)

Taking the emotion out of buying a franchise is the goal of this self-test developed by Franchise Solutions, Inc., a franchise consulting company in Portsmouth, New Hampshire. Circle the number that reflects your degree of certainty or positive feelings for each of the following 12 statements: 1 is low; 5 is high.

	Low	High
1. I would really enjoy being in this kind of business.	1	2 3 4 5
2. This franchise will meet or exceed my income goals.	1	2 3 4 5
3. My people-handling skills are sufficient for this franchise.	1	2 3 4 5
4. I understand fully my greatest challenge in this franchise, and I feel comfortable with my abilities.	1	2 3 4 5
5. I have met with the company management and feel compatible.	1	2 3 4 5
6. I understand the risks with this business and am prepared to accept them.	1	2 3 4 5
7. I have researched the competition in my area and feel comfortable with the potential market.	1	2 3 4 5
8. My family and friends think this is a great opportunity for me.	1	2 3 4 5
9. I have had an adviser review the disclosure documents and the franchise agreement.	1	2 3 4 5
10. I have contacted a representative number of the existing franchisees; they were overwhelmingly positive.	1	2 3 4 5
11. I have researched this industry and feel comfortable about the long-term growth potential.	1	2 3 4 5
12. My background and experience make this franchise an ideal choice.	1	2 3 4 5

The maximum score on the quiz is 60. A score of 45 or below means that either the franchise opportunity is unsuitable or that you need to do more research on the franchise you are considering.

Source: Roberta Maynard, "Choosing a Franchise," *Nation's Business*, October 1996, p. 57.

Figure 6: Franchise Evaluation Quiz (Maynard 1996 according to *(Scarborough M. W., 2012)*)

5.1.2 Cost of franchise and financial consideration

The most important part of establishing a franchise is allocation all the financial costs. Franchisees should carefully determine and evaluate all the costs involved and franchisers should list them in Franchise Disclosure Document before giving it to franchisees (Barringer, 2012). The costs like establishing fee, advertising and setting up costs and other costs.

The requirements of the franchisers decide the allocation of capital. Factors like real estate buying, construction of a building and other inventory decides the costs. And for advertisement fee, the cost depends on the promotion of franchisers in national and regional level. The use of expert technicians, assistances and service providers does include a certain amount of fee (Barringer, 2012). And usually the royal fee is between 5 percent to 10 percent.

Franchisees should check if the franchise is affordable or not by calculating all the costs carefully at the beginning. The idea of borrowing a bulk amount of loan at the start of business will have a negative effect on the business. But in some cases, due to the credit reliability of franchisers, franchisees can be benefitted to lend money from borrowers easily, which is good for franchisees.

If the franchises are going from one country to another the idea of differences in currency rate should be checked and evaluate properly.

5.1.3 Market research

All the franchisers should market research before establishing franchise in a new market. It includes regional and international markets. Due to the different circumstances, like culture, weather, the trend and the demand of the product may vary from place to place. Some samples questions regarding market analysis has been listed below, based on questions given by (Scarborough M. W., 2012)

- How fast is Nepalese market growing?
- Who are the potential customers?
- How big is the competition industry?
- In which cities the growing rates are fastest?
- How is the trend of market analysis: increasing or declining?
- What is the average income of Nepalese people?
- Are the products you are selling in according to the market demand?

Market research is the most important part that any kind of businesses cannot ignore. The franchisee should spend their time learning the nature of market and what are the things that can fit in the market to succeed in the business. Only the passion for franchising is also not enough, the knowledge of the compatibility between the customers and the products defines the long-term success of the business. For this reason, market research is very essential for any business and it gives idea about

the lifestyle of the people living in a region, so it is easy to choose the product which are suitable for that reason in a long-term basis.

5.1.4 Finding a good franchisor

Franchisees should always ask themselves before bringing franchises to Nepal. Some of the products like clothes, health equipment is always in demand at all period. But some products are seasonal. For a definite future success franchises should have knowledge of well-known brands and they should ask themselves if they can be find easily or not. The following figure demonstrate the franchiser provides to enterprises.

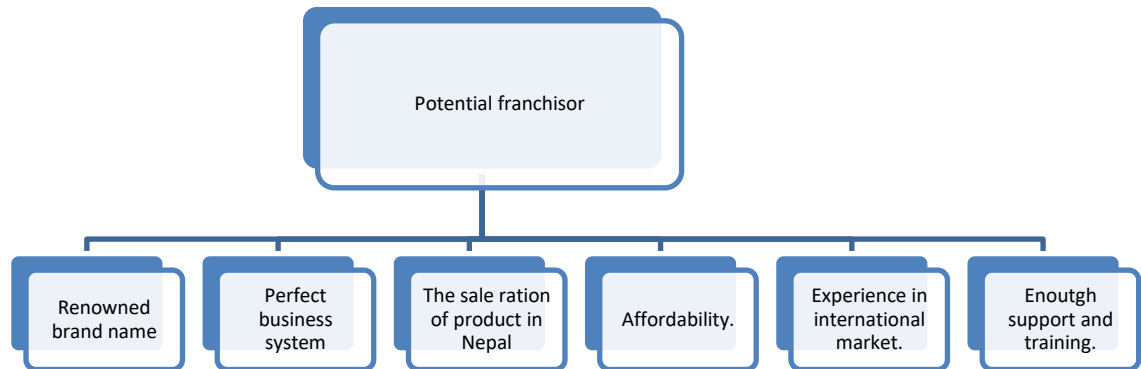


Figure 7: Aspects to make franchising better (Phuong, 2016)

First, the business entrepreneurs should start making a list of renowned franchise and check if there is any manageable or good fit of franchises. Franchises should always offer a well-known brand name, as in any franchising business industry it should also provide productive system of business and a highly valued reputation. The interview of already existing franchisees is recommended to analyze the reputation of franchiser. Often business personnel should ask question about the franchise and how it maintains it relation with franchisees by visiting their offices. (Scarborough M. W., 2012).

The list of the questions that can be asked to franchise and franchisers (Barringer, 2012) before purchasing a franchise is shown below in the figure:

TABLE 15.5 QUESTIONS TO ASK BEFORE BUYING A FRANCHISE
<p>Questions to Ask a Franchisor</p> <ul style="list-style-type: none"> ■ What is the background of the company and its performance record? ■ What is the company's current financial status? ■ What are the names, addresses, and phone numbers of existing franchisees in my trade area? ■ Describe how you train and mentor your franchisees. ■ If at some point I decide to exit the franchise relationship, how does the exit process work? ■ In what ways do you work with a franchisee who is struggling? <p>Questions to Ask Current Franchisees</p> <ul style="list-style-type: none"> ■ How much does your franchise gross per year? How much does it net? Are the procedures followed to make royalty payments to the franchisee burdensome? ■ Are the financial projections of revenues, expenses, and profits that the franchisor provided me accurate in your judgment? ■ Does the franchisor give you enough assistance in operating your business? ■ How many hours, on average, do you work a week? ■ How often do you get a vacation? ■ Have you been caught off-guard by any unexpected costs or expectations? ■ Does your franchisor provide ongoing training and support to you? ■ If you had to do it all over again, would you purchase a franchise in this system? Why or why not?

Figure 8: Questions to ask before buying a franchise.

As mentioned earlier, it is must for an entrepreneur to calculate the trademarks of the franchise. By carrying out market researches, the want of the customers and their willingness to spend on products should be determined. As well, the franchise should be compared with other same kind of business and all in all the market sufficiency for the product should be determined.

According to (Scarborough M. W., 2012) franchises should buy the franchise which they can afford. By buying affordable they minimize the risk or else borrowing huge amount of money to start a franchise can jeopardize the whole business later.

The experience of franchise in international market or a bigger market can make some huge differences.

According to (Barringer, 2012) any enterprises should be aware not to be used as a particle use in a new market by a franchiser who want to expand their business in a new region, without any experiences. The experiences gained by the franchisers are amongst the main advantages for the franchisees but while starting franchise in a new region it can be disadvantage as well.

Another aspect before starting a franchise in providing necessary training and assistance by franchisers. The idea of choosing area representative or not, and if not then all the international calls to franchisers and the travel cost for training program should be clarified and it should help the franchisee for handling franchises in Nepal.

According to (Barringer, 2012) all the franchisees should receive required amount of training and assistance.

5.2 Steps of purchasing a franchise

After selecting the franchise, there are steps of that franchisees needs to follow. The Steps includes the purchasing procedures. According to (Barringer, 2012), the following seven step process mentioned in the figure is a must follow process. Unless any kind of unnatural disturbances, the should seal the deal with the process and sign an agreement.

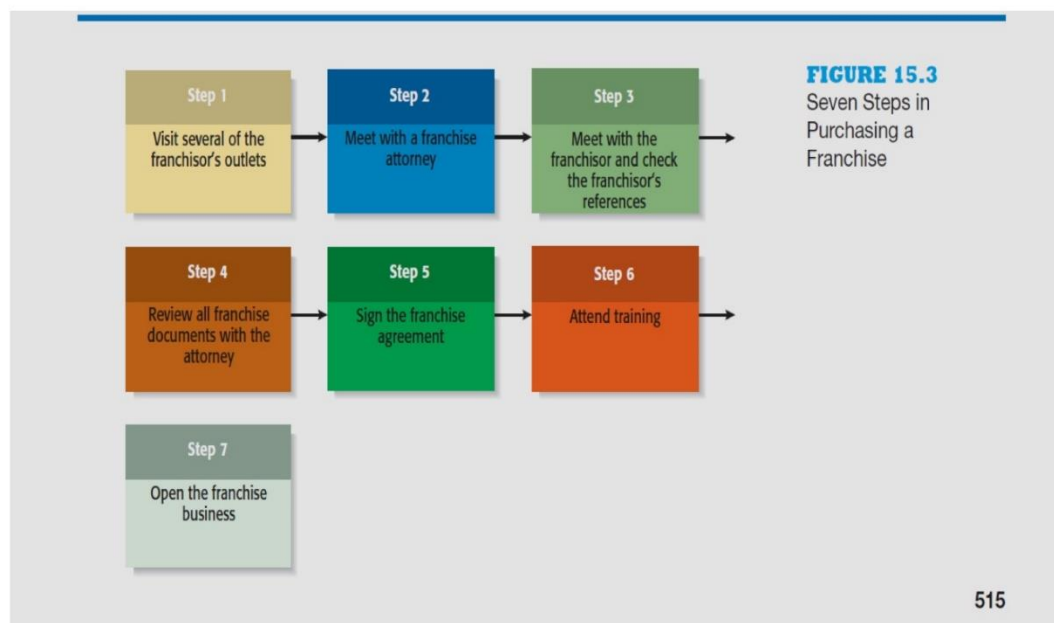


Figure 9: Process to buy a franchise (Barringer, 2012)

In the first step franchisees should make a visit to several outlets of franchisers. According to (Barringer, 2012) franchisers should show their gratitude towards owing that same franchise, and enjoy owing, operating and managing the franchise business. They should meet the store operators, employees and owners.

Hiring the attorney is the second step that a franchisee should do before buying a franchise. Attorney represents the franchisee and they can help franchisee in their interests, provide legal views and help reviewing all the franchise documents.

In the third step, franchisees should arrange a meeting with franchisers. During the meeting, the references provided by franchise should be checked and the views and the opinions of franchisers should be listened and at the same time comparing the things said by franchisers and what they observed. Franchise Disclosure Document, in which at the section 20 is listed all the franchisees that have taken out of franchising system in past 3 years, should be shown to franchisees. (Barringer, 2012). The references should be checked in detail and the franchisees should contact the people mentioned in article 20 to ask for the further information regarding the franchise.

After this, franchisees along with the attorney hired must review all the documents including FDD, and the agreement of franchising.

In the fifth step, the both parties are signing the franchise agreement. Four types of research have been mentioned in chapter two of the study and they are individual franchise, area franchise, multi-unit franchise and master franchise. According to (Barringer, 2012) the status of the agreements shows the bond between the franchiser and franchisee.

Next step is to attend various training programs. Training programs that helps to strain the development of the franchise. Different kind of organizations provide different kind of training for the trainee who are in need for special set of knowledges. An employee from the franchisee can take part in the training program before opening the store.

The last step is opening the store. For any business beginning phase is very sensitive so for the first few days, all the employees, and owners should give their best to get positive feedbacks from all the customers that are visiting their store. Even the franchiser assists franchisees during this period by providing experienced personnel to help the franchisee team.

6 RESEARCH METHODS

The topic of the thesis is Franchising in Nepal. The research problems of the research paper are “problems and obstacles of opening a franchise in Nepal”. A case study has been chosen to study the problem in depth and explore it. The case study of Pizza hut Nepal has been carried out.

Based on the research problem, the writer selected a case study as an in-depth research strategy to explore the problem. The case study is franchising in Nepal. Pizza hut franchisee was purchased by a Nepalese company, Devyani International, under the umbrella of Ravi Kant Jaipuria’s RJ Corp.

All in all, for the empirical part, the research strategy is case study; the research method is qualitative method; and data collection techniques are documentary analysis. Various methods of quantitative and qualitative methods were used to address the research questions. Online survey was created as mentioned in the first chapter, 40 Nepalese entrepreneurs were chosen and sent the questionnaires through email. Out of which 31 replied to the questions and all the findings from the survey have been analyzed.

Data’s from the different sources of internet were analyzed and observations were analyzed. The writer wants to show what is the situation of franchising in Nepal and what are the challenges for anyone to establish a franchise in Nepal. For that purpose, writer analyzed the current situation of Franchise in Nepal and found that it is in rise but slowly. The various challenges and problems was addressed through PESTEL analysis. PESTEL analysis consists of various problems of franchising in Nepal that the writer found but out by studying and analyzing different journals.

6.1 Case study

Case study uses various source of evidence to perform an empirical research of a subject within its real life and helps to collect information. (Saunders, 2009). In other words, case study is the methods of collecting systematic information about any

subject like person, companies or a group, that assists researcher to know the operations and function of subject. (Zagata, 2003)

The use of case study is done in explaining and exploring the research. According to (Saunders, 2009) case study helps to answer the “how”, “what” and “why” questions of the research. The problem in the research can be answered through case study by taking into valid information consideration from the people and data related to the franchising in Nepal. From year 2009-present, RJ Corp has managed to operate Pizza hut Nepal successfully. Findings of experiences and advices from Pizza hut Nepal will be beneficial for the study.

For collecting the data for the case study, various techniques from both qualitative and quantitative methods can be used. Interviews, observation and documentary analysis can be made for case studies. In this research paper, for the information of Pizza hut Nepal, observation and documentary analysis methods were used.

Sometimes the findings of the results of the case study maybe disadvantage for the researcher. It can be biased and the content of the findings could be related to subject rather than being general. Nonetheless, understanding of the similar cases can be done, even with the correctly done case study.

6.2 Qualitative methods

Qualitative methods should be utilized to get proper information for the case study. The case study was explored in deep with the qualitative method. The idea of Pizza hut entering the Nepali market and the situation of Pizza hut in Nepal is the focus of study. Through studying the relevant documents and observations, research questions will be answered.

The dissimilarities between the quantitative and qualitative method is that quantitative methods focus on numerical data whereas qualitative method depends on non-numerical data. And according to (Saunders, 2009) qualitative data methods refers to non-numerical data such as collection of data from interview and observation.

Table 2: Qualitative and quantitative data collection technique. (Isaacs, 2015)

Qualitative methods	Quantitative methods
Interviews	Mail survey
Documents and content analysis	Phone survey
Text analysis	Face to face survey
Visual and audiovisual documents	Web survey
Observation	Observation
Project methods	Combination of several

6.2.1 Interview

As mentioned earlier in the chapter 1, due to the busy schedule of Pizza hut personnel, interview was not possible to carried out. Researcher tried to reach to them with email and phone messages but was not successful to get replies. Due to the researcher living in another country, it was impossible to take one on one interview.

6.2.2 Documentary analysis

Documentary analysis refers the re analyzing of data which have been collected for other purposes. The data collected after analysis the documentary is secondary data and the sources may not be always available as the researcher may or may not have the ultimate accessibility of the organization's record.

According to (Zagata, 2003), Disman in 1996 stated that the documents are the results or summary of human's activity which main purpose was not exactly carrying out our study. Various types of documentary include data with written materials like articles from newspapers, various reports, websites of the organization, notes from

the interviews. Different recordings of video and audio, television programs and the database of company are the non-written material (Scarborough M. N., 2009)

To solve the research questions all the documents from the Pizza hut Nepal were analyzed. Documents relating to franchises in Nepal were also studied. Documents includes online article and newspaper were analyzed. 1 article from newspaper The Himalayan Times 2010, and some of the reviews from the customer were analyzed. Viewpoints of some of the writers like Sakin Shrestha has been mentioned regarding the business of Pizza hut Nepal. The information of status of franchises in Nepal was gathered from U.S. government based website and Nepal government based website. All the information of the documents is enclosed in Appendices and bibliography.

6.3 Survey

In a survey, large number of respondents answer a set of questionnaires. The main advantages of survey are it can be easily administered, it provides statistical data and sensitiveness of differences in group (Bush, 2006).

Online surveys are one of the medium of carrying out survey. Questionnaires with multiple choice answers are arranged order and it can be answered by clicking in one of the choices which respondent thinks is the suitable answer to the question. It is the simplest form of surveys which saves time and effort of respondent.

As mentioned in the previous chapter, the questionnaires were sent to the 50 entrepreneurs from Nepal through email. Time of 10 days was given to reply all the answers and we got 31 responses out of 50. The researcher was expecting to get more than 40 responses but still the amount of responses for the survey was enough to show the findings. One of the entrepreneurs: Sugrashan Dhungana who owns the Mandala Clubs Ltd, was amongst the person to whom the questionnaires were sent.

6.4 Validity and reliability

The repetition of same thing several times or recurrence of identical things can question the validity and the reliability of the research (Zagata, 2003). The data collections technique depends on the reliability of the data. According to (Saunders, 2009) answering the following questions can help to assess the reliability of the data.

1. Will the same result occur with the same measures?
2. Will other observers reach the same observations?
3. In making sense from raw data, is there any transparency?

Answering the question number one, the answer would be no because of the date of the research paper written which is 2017, many things are certain to change with time. Factors like political issues can improve or degrade in the future so the result from the observation would not be same.

In some of the cases, similar observations can be reached because some of the things like large population of Nepal are obvious. The other things like low capita income of Nepali people are real and takes certain timeframe to change. So, the answer to question number two is maybe.

In the research paper the sources of the documents analyzed has been clearly mentioned. All the data analyzed and the responses has been mentioned in the study. So, the answer for the third question is yes.

Validity differs from reliability in a sense that a reliable data can be invalid. According to (Bush, 2006) definition of Validity is the accurateness and exactness of the measurement relative to what exists. It is also known as the truthfulness of how the answers fit the reality.

6.5 Data collection and Findings

6.5.1 From PESTEL analysis

From the PESTEL analysis different obstacles and problems related to opening a franchise were found. The table below shoes the challenges and the measures to overcome the challenges:

Table 3: PEST analysis and Findings

Challenges	Findings
Political challenges: <ul style="list-style-type: none"> • Unstable government (26 government has changed in 25 years) • 	Franchisees should make an agreement with the government and clearing out governments policy in the franchising business.
Economic challenges: <ul style="list-style-type: none"> • Fluctuation in currency rate. • Exchange rates 	The currency rates should be checked thoroughly. Mainly in the case of international franchise establishing a business in Nepal should check it properly.
Social challenges: <ul style="list-style-type: none"> • Cultural barriers 	Like Pizza hut: proper market analysis should be done for allocating the product and prices in Nepal. Pizza hut does not use beef and ham and the menu has been adjusted half the price in other countries

<p>Technological challenges:</p> <ul style="list-style-type: none"> • Underdeveloped infrastructure 	Franchisees should consider opening a franchise in big cities like Kathmandu.
<p>Legal challenges:</p> <ul style="list-style-type: none"> • Uncertain business policies 	All the business policies and legal barriers should be studied carefully.
<p>Environmental Challenges:</p> <ul style="list-style-type: none"> • Earthquake in 2014 cause loss in 5 billion euros 	The happening of environmental calamities are uncertain but franchises should always get prepared for the challenges.

6.5.2 From survey

The findings from the survey were obvious and it explains the interests of entrepreneurs of Nepal and the status of franchising in Nepal. One of the questions asked was if the respondents have been to the Pizza hut Nepal and 58.1% of the respondents answered that they have already been to the Pizza hut Nepal. As mentioned in the case study of Pizza hut, it is one of the famous brands of fast food chains in Nepal. And is popular amongst the local people in Nepal.

Have you been to Pizzahut Nepal?

31 responses

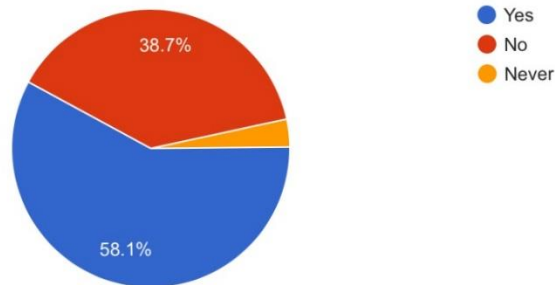


Figure 10: Pizza huts popularity

Questionnaires were asked about what they think about the prices of the pizza and about 55 % of the responses were, the prices were reasonable. As mentioned earlier in the study that the price of pizza is about half of the prices in other countries and Pizza hut has adjust menu according to the market needs.

What do you think about the prices of pizzas?

31 responses

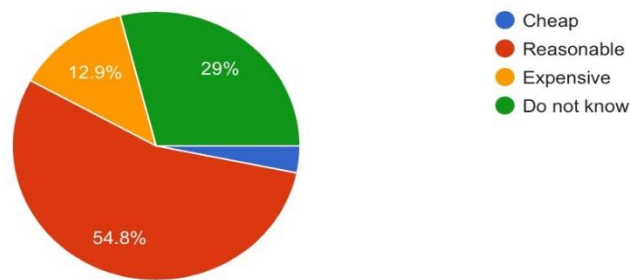


Figure 11: Prices of Pizza

The respondents were if they want to have more franchise s like Pizza hut in Nepal and 71 percent of the responses answered that yes, they would like to see

more of franchise like Pizza hut in Nepal which shows that the market is being wider to franchises in Nepal.

Do you think there should be more franchises like Pizzahut in Kathmandu?

31 responses

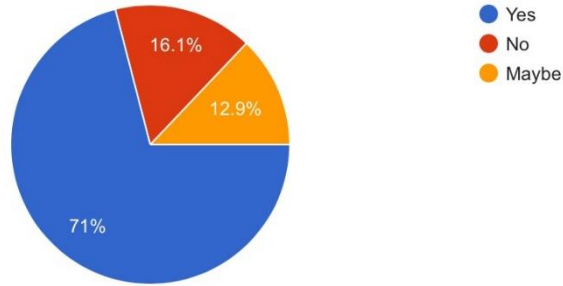


Figure 12: Franchises in Nepal in future

And the other major findings of the survey were the location of opening the franchise in Nepal. For which around 65.5 percent has chosen Pokhara as the location suitable for opening and 13.8 percent of the answers was for the Biratnagar. 20.7 percent choose the other cities and Chitwan was not able to impress anyone of the respondents for possibilities of franchise.

In which cities other than kathmandu would you like to have franchises like Pizzahut ?

29 responses

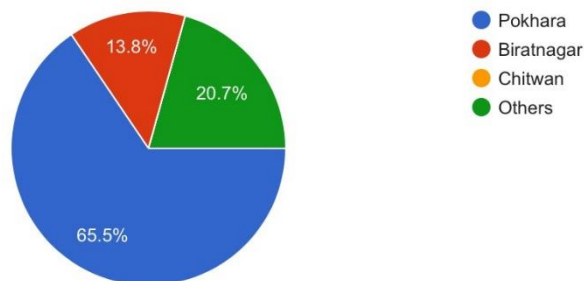


Figure 13: Cities for future franchises

7 CONCLUSION

Table 4: Conclusion

<p>Problems for franchisees</p>	<ul style="list-style-type: none"> • Unstable politics • Underdeveloped infrastructures • Legal barriers. • Major cultural differences. • Underdeveloped Infrastructures. • High rate of low class population. • Tax policies • Inflation • Security Issues.
<p>Recommendations</p>	<p>Make a market strategy: suitable for Nepalese market.</p> <p>Due to lack of proper infrastructures, the big cities like: Kathmandu and Pokhara must be choose for location.</p> <p>Target the product which is suitable average middle-class population.</p>

The whole study was implemented with the aim of understanding international franchise in general and franchise in Nepal. Importantly, the study concentrates on resolving the problem, say, what obstacles Finnish franchisees encounter when opening an international clothing franchise in Finland and what should they do to be successful in clothing franchise business. Pizza hut Franchise in Finland is typical example for franchise and prosperous franchisees in Nepal.

Findings from both the theoretical and empirical part of this study are utilized to bring potential franchisees a reference source.

The main objective of this thesis was to find out the status of franchises in Nepal and the problems of franchising in Nepal. The secondary aims were to find the problems that franchisers and franchisees faces. The main problems of the franchising in Nepal was indicated and the solutions to overcome those problems were given.

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APPENDIX

Franchising in Nepal

Research paper analysis

Have you been to Pizza hut Nepal?

- Yes
- No

Did you enjoy the food at Pizza hut Nepal?

- Yes
- No
- Never been there.

What do you think about the prices of pizzas?

- Cheap
- Reasonable
- Expensive
- Do not know

Are you planning to go to eat in Pizza hut Nepal soon?

- Yes
- No
- May be

Do you think there should be more franchises like Pizza hut in Kathmandu?

- Yes

- No
- Maybe

In which cities other than Kathmandu would you like to have franchises like Pizza hut?

- Pokhara
- Biratnagar
- Chitwan
- Others

SUBMIT